

CITY OF JEWELL, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016

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Officials

Name	Title	Term Expires
Elected Officials		
Mickey Walker	Mayor	December, 2017
Kenneth Outzen	Council Member	December, 2017
Chris Roethler	Council Member	December, 2019
Rick Young	Council Member	December, 2017
Bruce Johnson	Council Member	December, 2019
Leo Reiter	Council Member	December, 2017
Appointed Officials		
Karen Culpepper	City Clerk	Indefinite
Justin Deppe	Attorney	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of Jewell, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Jewell for the period April 1, 2015 through March 31, 2016. The City of Jewell's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
8. We reviewed debt and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. We reviewed voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of Jewell, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Jewell, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Jewell and other parties to whom the City of Jewell may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Traer, Iowa
June 16, 2016

Detailed Recommendations

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

(A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- Accounting System - performing all general accounting functions, including journal entries, and having custody of assets.
- Cash - handling, reconciling and recording.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Utilities - billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- Debt - recordkeeping, compliance and debt payment processing.
- Journal Entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - entering rates into the system, recordkeeping, preparing, signing and distributing.
- Computer System - performing all general accounting functions and controlling all data input and output.
- Financial Reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of review.

(B) **Bank Reconciliations** - Cash and money market balances in the City's general ledger were not reconciled to bank and money market account balances throughout the year. The Check Reconciliation reports generated from the City's financial system include the City's main checking account, but exclude the Historian and Park Improvement accounts and money market accounts. Also, the Check Reconciliation reports were not reviewed by an independent person.

Recommendation - The City should establish procedures to ensure that the general ledger is reconciled to the bank and money market accounts balances monthly. Consultation with the software provider is suggested, if needed, to understand how to generate the proper reconciling reports. Also, the City Council should review and approve the Check Reconciliation report at the City Council meetings.

(C) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check for all bank statements.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks for all canceled checks as required by Chapter 554D.114 of the Code of Iowa.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (D) **Management Financial Information** - The Clerk's financial reports to the City Council included year-to-date receipts and disbursements, but did not include comparisons to the certified budget by function or a summary of beginning balance, receipts, disbursements, transfers and ending balance by fund or cash balances that agree to the ending balance.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should also include the beginning balance, receipts, disbursements, transfers and ending balance for each fund. Ending cash balances should then be agreed to the bank reconciliation.

- (E) **Reconciliation of Utility Billings, Collections and Delinquent Accounts** - Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. Consultation with the software provider is suggested, if needed, to understand how to generate the proper reconciling reports. The City Council or other independent person designated by the City Council should review the reconciliations, document their review and monitor delinquent accounts.

- (F) **Disbursements** - We tested 30 disbursements and found that invoices and other supporting documentation were not always available to support disbursements. Supporting documentation for three transactions tested could not be located. Also, one check was not properly approved or included in the claims report.

Recommendation - All disbursements should be supported by invoices or other supporting documentation and properly approved by the City Council.

- (G) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- Aid in training additional or replacement staff.
- Help achieve uniformity in accounting and in the application of policies and procedures.
- Save supervisory time by recording decisions so that they will not have to be made each time the same, or a similar, situation arises.

- (H) **Journal Entries** - Journal entries made to the general ledger do not include evidence that they were approved by an independent person.

Recommendation - Approvals should be documented by signing or initialing and dating the journal entries.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (I) **Transfers** - Transfers were not approved by the City Council and were not recorded timely.

Recommendation - Transfers should be approved the City Council and be recorded timely.

- (J) **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Mickey Walker, Mayor, owner of Walker Electric and as an independent contractor	Repairs and miscellaneous services	\$3,689

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions may represent a conflict of interest since the contract totals more than \$2,500 and the contract was not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- (K) **Inactive Accounts** - It was noted that there were balances in three funds that have not been utilized for several years: Tax Increment Financing, Debt Service and Capital Improvement Reserve funds. Also, Tax Increment Financing and Capital Improvement Reserve funds had a deficit balance.

Recommendation - The Council should review these funds and transfer amounts to close the balances to appropriate active funds. Also, the City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

- (L) **Records of Accounts** - The Jewell Fire and Rescue and Jewell Centennial/Agnes Juhl Trust maintain separate accounting records pertaining to their respective operations. The transactions and the resulting balances are not included in the City's records or budget. Chapter 384.20 of the Code of Iowa states, in part, that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's records.

- (M) **Section 148** - The City does not have written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code as it relates to debt obligations.

Recommendation - The City should establish written procedures to monitor compliance with the arbitrage, yield restrictions and rebate requirements under Section 148 of the Internal Revenue Code.